

Mandatory Evaluation Components

Report: 2019-09: DEQ Working to Improve Organizational Structure and Permit Processes, But Targeted Adjustments and a Permit Performance Management System Are Still Needed

N.C. Gen. § 120-36.14 requires the Program Evaluation Division to include certain components in each of its evaluation reports, unless exempted by the Joint Legislative Program Evaluation Oversight Committee. The table below fulfills this requirement and, when applicable, provides a reference to the page numbers(s) where the component is discussed in the report.

N.C. Gen. § 120-36.14 Specific Provision	Component	Program Evaluation Division Determination	Report Page
(b)(1)	Findings concerning the merits of the program or activity based on whether the program or activity		
(b)(1)(a)	Is efficient	<p>Span of control refers to the number of employees a supervisor oversees; organizational layers refers to the number of levels in an organization's hierarchy. Narrow spans of control, wherein one supervisor oversees three or fewer employees, create more layers in an organization, which leads to greater costs and can potentially encourage over-involvement or under-involvement by managers. In 2016 and 2019, the Department of Environmental Quality (DEQ) exceeded the Office of State Budget and Management's (OSBM's) recommended number of organizational layers (seven) by three and four additional layers, respectively. Further, from 2016 to 2019, the agency increased its percentage of narrow spans from 30% to 32%. However, during the same period DEQ also increased its percentage of supervisors overseeing the recommended eight staff members from 24% to 27% and decreased the concentration of staff beyond the 7th layer from 35% to 15%. Overall, these counteracting positive and negative structural changes resulted in DEQ's 2019 agency-wide levels of narrow spans and organizational layers remaining similar to 2016 levels. The Program Evaluation Division further examined the individual organizational units within the agency and found five units contain particularly high percentages of narrow spans, indicating these units are the most likely to demonstrate structural efficiency issues. The Marine Fisheries unit contains the majority of these potential issues.</p>	12-21
(b)(1)(b)	Is effective	<p>DEQ grants individual organizational units autonomy to structure staff as they see fit and meet agency goals within the bounds of legal and budgetary limits; however, without a central oversight system to track permitting activities, determining structural effectiveness is challenging. The agency uses a "cascading approach" by calibrating unit activities to the mission and vision set by the Secretary and Governor. Although this approach may be appropriate to meet the diverse demands within the organization, DEQ lacks a central performance management system for permitting that could methodically collect data and compare it against goals. As a result, standardized data does not exist that could demonstrate whether the agency is effective.</p>	1, 15
(b)(1)(c)	Aligns with entity mission	<p>DEQ's mission is to provide science-based environmental stewardship for the health and prosperity of all North Carolinians. DEQ structures each of its units to meet this mission.</p>	7, 15

(b)(1)(d)	Operates in accordance with law	This evaluation focused on DEQ's organizational structure and processing of complex industrial and agricultural permits. DEQ adheres to legal and budgetary directives regarding its structure and administers its permits according to each permit's legal parameters.	20, 21
(b)(1)(e)	Does not duplicate another program or activity	DEQ is the only state agency that processes complex industrial and agricultural permits. Therefore, duplication does not exist.	7
(b)(1a)	Quantitative indicators used to determine whether the program or activity		
(b)(1a)(a)	Is efficient	The Program Evaluation division measured structural efficiency by examining the agency's organizational layers and spans of control at the agency level and the unit level within the agency.	12, 13
(b)(1a)(b)	Is effective	The Program Evaluation Division sought to measure the effectiveness of DEQ's organizational structure, but the data that would allow for this analysis does not exist and would be prohibitively time-consuming to collect. Implementation of a performance management system for permitting and fulfillment of the goals set forth by the Permitting Transformation Project offer the possibility that the intersection of permitting activities and organizational structure can be assessed in the future.	
(b)(1b)	Cost of the program or activity broken out by activities performed	The activity related to this evaluation is processing complex industrial and agricultural permits. Performing activity-based costing for the processing of permits as it relates to the structure of the organization was not possible because budget codes track whether an employee worked on a type of permit (e.g. Animal Waste permit) but not the specific permit itself. Therefore, budgetary data cannot be examined against the data the Program Evaluation Division collected on levels of approval or staff and entities involved in permitting because that data is organized per permit and not by permit type.	
(b)(2)	Recommendations for making the program or activity more efficient or effective	The Program Evaluation Division Recommended the General Assembly should direct DEQ to <ul style="list-style-type: none"> • examine narrow spans in five identified divisions in an effort to establish whether some spans could be collapsed and/or if some spans may not be needed if a technical expertise track was available; • develop a formal business plan for the Permit Transformation Project; and • develop a performance management plan for permit processes including performance measures, goals, and a system to help track these items systematically over time. 	33, 34
(b)(2a)	Recommendations for eliminating any duplication	The Program Evaluation Division did not find evidence of duplication in DEQ's processing of complex industrial and agricultural permits.	21, 26
(b)(4)	Estimated costs or savings from implementing recommendations	Studying the narrow spans in the five units identified in the report could enable DEQ to collapse certain spans and save money over time in consideration of the fact that narrower spans and increased numbers of layers lead to greater supervisory-related costs. However, it has not yet been determined which spans are essential, and therefore a cost savings cannot yet be calculated.	33